



THE Apartment Report

CORONAVIRUS

Craig McConachie, C&R Real Estate Services, Company, Apartment Report Committee

This issue of the Apartment Report will be unlike any other issue. Our numbers for the report were compiled and finalized on March 18, 2020, eight days after Oregon declared a public health emergency, seven days after the World Health Organization declared COVID-19 a global pandemic and five days after POTUS declared the outbreak a national emergency. Our vacancy factors and rent rate numbers are always trailing data, but now they are merely a benchmark to measure what will surely be a precipitous decline in rent growth, occupancy and effective income. Amidst a backdrop of tightening landlord restrictions, regulations and state-wide rent control, multifamily investors are now faced with eviction moratoriums and an economy that has been rocked by the national COVID-19 pandemic emergency.

TO OUR READERS:

Please excuse the brevity of this Apartment Report Issue. As we approached the submittal deadline for articles, the committee realized that any information that would be included in articles would be quickly dated and of little practical use to our readers. With the health and economic situation changing so rapidly, some of our usual contributors were reluctant to project how our industry would be impacted. Consequently, we are simply presenting the data that has been collected, with minimal editorial or narrative content and hope that our Fall issue will be able to provide more clarity and context. You'll note that our CoStar Sales Trend Report for the Metro area includes data for the first quarter of 2020. The number of transactions

from the fourth quarter 2019 (105) to the first quarter 2020 (54) dropped by 49%. This is a strong indication of where the sales market is heading.

Portland/Vancouver

VACANCY:

The Portland/Vancouver vacancy factor increased slightly from our Fall report, and currently stands at 4.69%. St. Johns and Beaverton have the lowest vacancy factors, both under 3.6%, followed by Milwaukie at 3.7%. The highest vacancies are found in Downtown (6.6%), Northwest Portland (5.9%) and Outer SE Portland (5.7%). Both Downtown and Northwest Portland were under 5% last Fall. Two-bedroom townhouses have the best occupancy of all unit types, with average vacancy of 2.9%. Studio units have the highest vacancy of 5.9%. This survey excludes new projects in the lease-up phase that haven't reached stability, unless they are over one year old or over 85% occupied.

RENT RATES:

Overall rent rates have barely inched up from an average of \$1.74 to \$1.75 over the past six months. Five of our twenty surveyed areas saw rent rates decline. Rent rates were mostly stagnant with the exception of Inner and Central SE, Lake Oswego and St. Johns with increases of 4-6%.

Average rent per sq. ft. for all areas combined is \$1.75. The Downtown core area has the highest rates at \$2.49, with Lake Oswego coming in second at \$2.29. Outer NE Portland and Outer SE Portland continue to have some of the lowest rates, at \$1.35 and \$1.40 respectively.

Overall average rents per unit type—Portland:

UNIT TYPE	SPR 20	FALL 19
Studio	\$1179	\$1183
1 bdrm/1 bth	\$1318	\$1293
2 bdrm/1 bth	\$1242	\$1250
2 bdrm/2 bth	\$1577	\$1588
2 bdrm townhome	\$1387	\$1434
3 bdrm/1 bth	\$1401	\$1378
3 bdrm/2 bth	\$1652	\$1697

(continued on page 2)

SURVEY SAYS!

- Vacancy Rates Increase
- Rent Growth Slowing
- Investors Await Corona Fallout

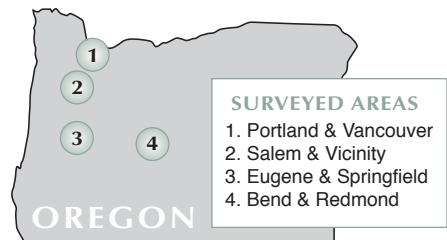


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PORTLAND METRO AREA

MULTNOMAH COUNTY

- 5 DOWNTOWN PORTLAND
- 1 NW PORTLAND
- 13 INNER & CENTRAL SE (PTLD)
- 17 INNER & CENTRAL NE (PTLD)
- 18 NORTH PORTLAND | ST. JOHNS
- 6 SW PORTLAND
- 14 OUTER SE (PORTLAND)
- 16 OUTER NE (PORTLAND)
- 15 TROUTDALE | FAIRVIEW
WOOD VILLAGE | GRESHAM

CLACKAMAS COUNTY

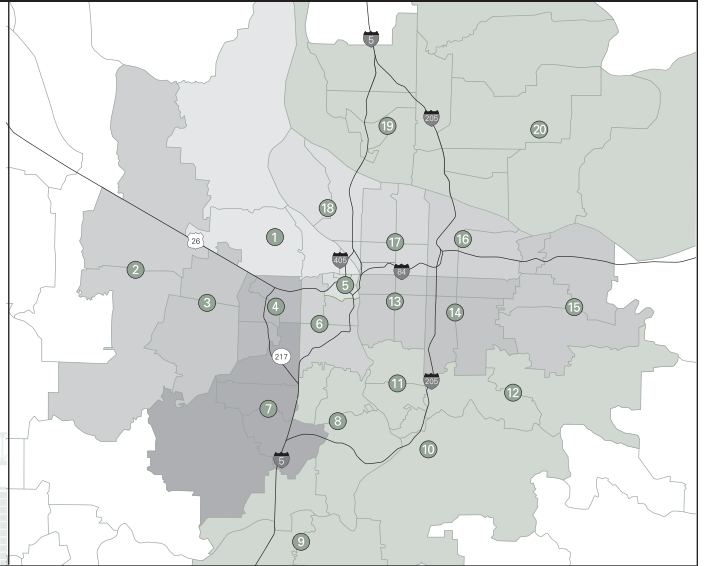
- 12 CLACKAMAS
- 8 LAKE OSWEGO | WEST LINN
- 11 MILWAUKIE
- 10 OREGON CITY | GLADSTONE
- 9 WILSONVILLE | CANBY

WASHINGTON COUNTY

- 3 ALOHA
- 4 BEAVERTON
- 2 HILLSBORO | N OF HWY 26
- 7 TIGARD | TUALATIN
SHERWOOD

CLARK COUNTY

- 19 WEST VANCOUVER
- 20 EAST VANCOUVER



(continued from page 1).....

Other Areas

The Salem market saw vacancies improve to 3.7%, although rents have declined slightly to \$1.29 psf average. Vacancies in studio units are particularly low at 1.6%. The Bend/Redmond area has seen vacancies increase to 6.4%, over a 3% jump, with a 4% increase in rent rates. The vacancy rate in Eugene/Springfield has increased to 5%, and rents have remained stable.

Our Contributors

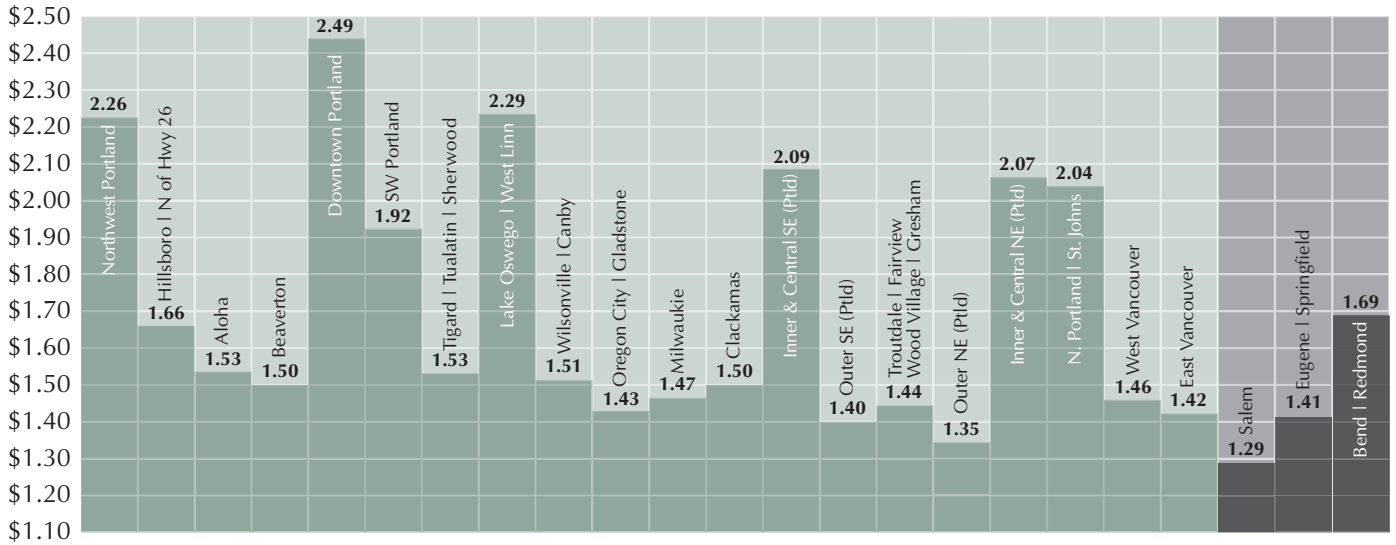
Patrick Barry, from Barry and Associates, examines the apartment construction and development landscape in the Metro area. He notes that 2019 saw 6,500 units delivered, but only 5,150 were absorbed, leading to an increase in overall vacancies. Developers are concerned as projects are being mothballed, or delayed. “The uncertainty regarding the impact of COVID-19 will slow future development as many builders are taking a wait and see approach.”

This survey represents a total of 71,612 units from 1,115 properties. All of the articles have been reprinted without editing the content, in order to present unbiased opinions. We’d like to thank all of the management companies and property owners who have submitted information. Their participation is critical in insuring the accuracy of our data and the continued success of this report. ■

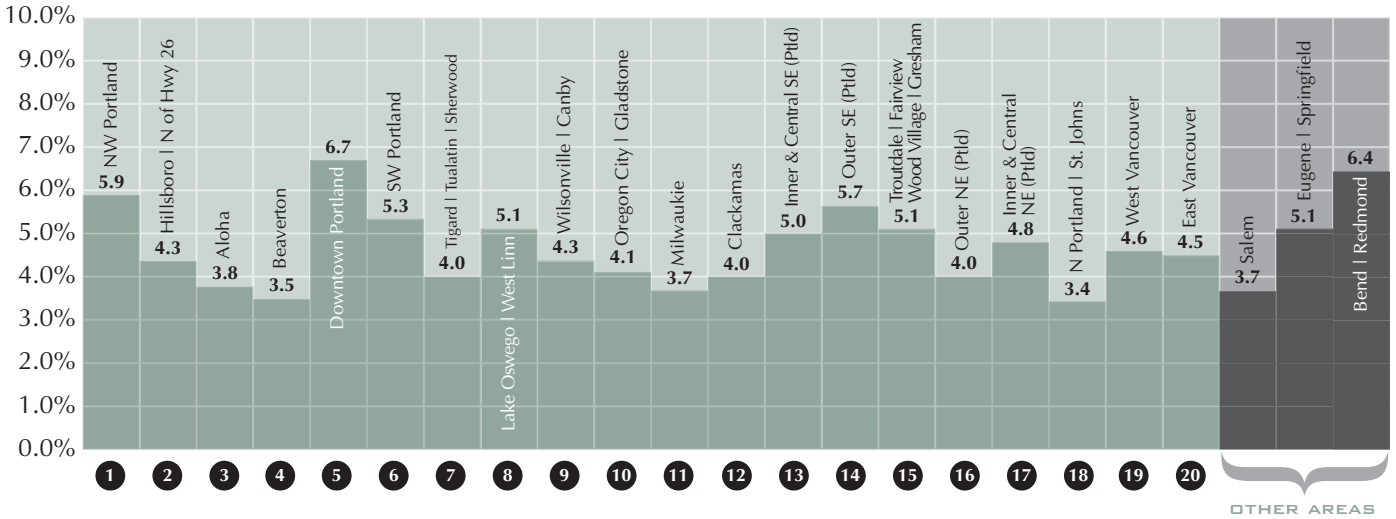
TENANT PAID UTILITIES

MAP AREA	WATER/SEWER	HEAT	GARBAGE
NW PORTLAND	64.9%	89.5%	62.3%
HILLSBORO N OF HWY 26	70.6%	100%	70.6%
ALOHA	89.4%	100%	83%
BEAVERTON	63.5%	90.5%	52.4%
DOWNTOWN PORTLAND	64.8%	87%	63%
SW PORTLAND	84%	96%	68%
TIGARD TUALATIN SHERWOOD	80.3%	98.4%	77.1%
LAKE OSWEGO WEST LINN	77.8%	100%	72.2%
WILSONVILLE CANBY	82.4%	100%	76.5%
OREGON CITY GLADSTONE	68.8%	93.8%	43.8%
MILWAUKIE	64.7%	97.1%	41.2%
CLACKAMAS	100%	100%	87.5%
INNER & CENTRAL SE PTLD	41%	77.5%	37.6%
OUTER SE PORTLAND	62.5%	98.6%	56.9%
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM	64.4%	100%	53.3%
OUTER NE PORTLAND	55.6%	100%	37.8%
INNER & CENTRAL NE PTLD	33.6%	61.1%	30.5%
NORTH PTLD ST. JOHNS	56.5%	84.8%	50%
WEST VANCOUVER	73.2%	100%	53.7%
EAST VANCOUVER	91.3%	100%	78.3%
SALEM VICINITY	60.2%	97.7%	58.6%
EUGENE SPRINGFIELD	55.5%	100%	48.5%
BEND REDMOND	81.8%	100%	81.8%

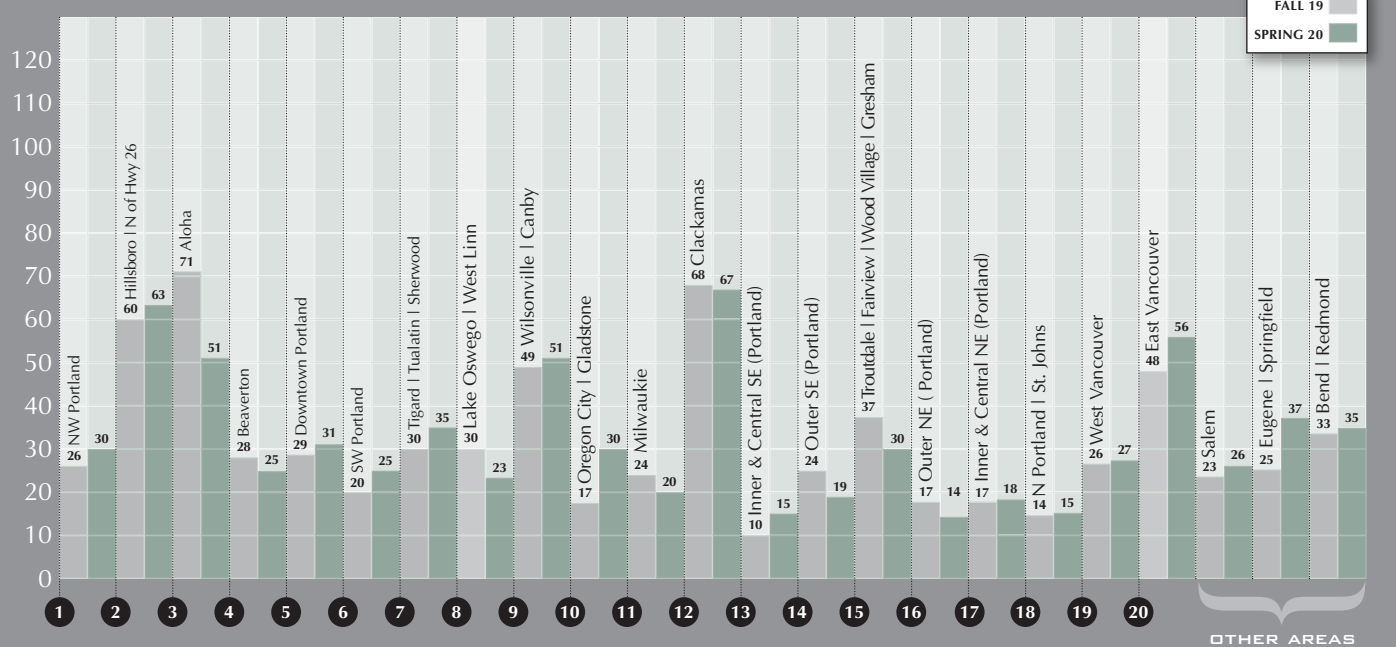
AVERAGE RENT PER SQUARE FOOT \$



AVERAGE MARKET VACANCY RATE %



AVERAGE NUMBER OF DAYS VACANT — PORTLAND/VANCOUVER



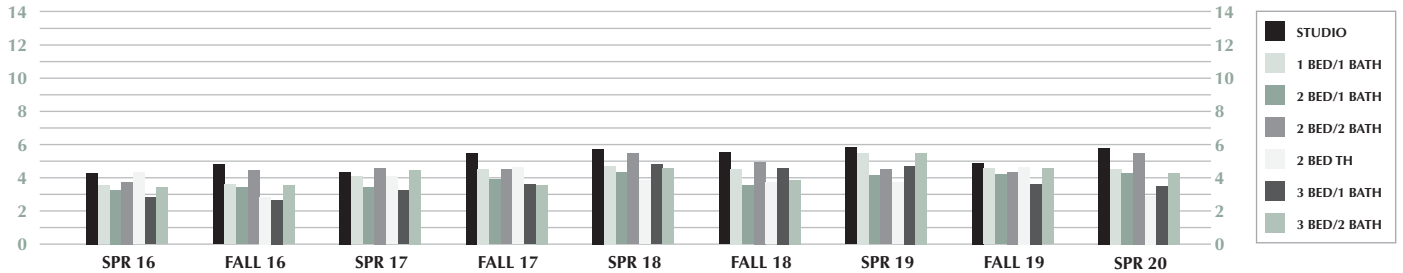
SURVEY RESULTS—SPRING 2020

PORTLAND/VANCOUVER METRO AREA												
AREA NAME	# OF PROP	DATA	ALL	FALL 19 REPORT	CHANGE	STUDIO	1 BED 1 BATH	2 BED 1 BATH	2 BED 2 BATH	2 BED TWNHS	3 BED 1 BATH	3 BED 2 BATH
DOWNTOWN PORTLAND (5)	44	AVG MARKET VACANCY RATE %	6.65	4.87	0.37	5.83	5.75	6.87	12.58	8	0	12.5
		AVG RENT PER SQ FOOT \$	2.49	2.43	0.02	2.85	2.27	2.18	2.34	1.78	1.95	2.36
		AVG RENT PER UNIT TYPE \$				1172	1513	1763	2533	1734	1785	2797
		SUM OF UNITS SURVEYED	2844	2689		1047	1304	131	326	25	3	8
NW PORTLAND (1)	99	AVG MARKET VACANCY RATE %	5.87	4.86	0.21	5.84	5.87	7.17	5.47	1.3	6.82	7.37
		AVG RENT PER SQ FOOT \$	2.26	2.34	-0.03	2.73	2.36	1.74	1.97	1.58	1.4	1.76
		AVG RENT PER UNIT TYPE \$				1243	1643	1507	2048	1507	1439	2250
		SUM OF UNITS SURVEYED	7341	8023		1249	3510	572	1699	77	44	190
INNER & CENTRAL SE PORTLAND (13)	166	AVG MARKET VACANCY RATE %	5.04	3.3	0.53	6.39	4.27	5.2	8.47	1.03	10.94	11.76
		AVG RENT PER SQ FOOT \$	2.09	1.86	0.12	2.95	2.12	1.57	2.11	1.45	1.35	1.83
		AVG RENT PER UNIT TYPE \$				1183	1319	1291	2232	1346	1505	1901
		SUM OF UNITS SURVEYED	4525	3994		736	2227	1039	248	194	64	17
INNER & CENTRAL NE PORTLAND (17)	115	AVG MARKET VACANCY RATE %	4.76	3.57	0.33	5.35	4.88	2.62	9.35	3.47	0	10.26
		AVG RENT PER SQ FOOT \$	2.07	1.94	0.07	2.92	1.98	1.59	2.19	1.49	1.26	1.71
		AVG RENT PER UNIT TYPE \$				1217	1289	1373	2258	1475	1445	1950
		SUM OF UNITS SURVEYED	3191	4374		617	1680	496	139	202	18	39
N PORTLAND ST JOHNS (18)	29	AVG MARKET VACANCY RATE %	3.37	4.7	-0.28	4.02	3.14	3.92	3.42	1.72	0	0
		AVG RENT PER SQ FOOT \$	2.04	1.87	0.09	2.57	2.1	1.54	1.91	1.45	1.33	1.79
		AVG RENT PER UNIT TYPE \$				1254	1427	1240	2276	1162	1272	1760
		SUM OF UNITS SURVEYED	1451	1341		283	660	255	181	58	11	3
SW PORTLAND (6)	46	AVG MARKET VACANCY RATE %	5.27	5.01	0.05	6.25	5.56	2.81	8.81	0	3.77	4.17
		AVG RENT PER SQ FOOT \$	1.92	1.92	0	2.54	2.12	1.52	1.73	1.53	1.25	1.36
		AVG RENT PER UNIT TYPE \$				1173	1449	1239	1914	2084	1406	1591
		SUM OF UNITS SURVEYED	2599	2854		192	1332	534	329	39	53	120
OUTER SE PORTLAND (14)	50	AVG MARKET VACANCY RATE %	5.66	4.75	0.19	6.25	6.95	6.11	4.73	3.74	6	6.25
		AVG RENT PER SQ FOOT \$	1.4	1.48	-0.05	2.11	1.61	1.35	1.35	1.22	1.3	1.33
		AVG RENT PER UNIT TYPE \$				837	1048	1123	1329	1316	1276	1741
		SUM OF UNITS SURVEYED	2439	2339		48	532	720	592	321	50	176
OUTER NE PORTLAND (16)	32	AVG MARKET VACANCY RATE %	3.96	4.46	-0.11	0	3.32	5.1	0	1.8	10	1.87
		AVG RENT PER SQ FOOT \$	1.35	1.34	0.01	1.68	1.45	1.31	1.32	1.15	1.24	1.28
		AVG RENT PER UNIT TYPE \$				785	1008	1150	1233	1152	1495	1420
		SUM OF UNITS SURVEYED	1766	1344		25	542	922	49	111	10	107
TROUTDALE FAIRVIEW WOOD VILLAGE GRESHAM (15)	36	AVG MARKET VACANCY RATE %	5.05	4.08	0.24	8.97	5.37	4.97	5.07	3.02	0	4.91
		AVG RENT PER SQ FOOT \$	1.44	1.43	0.01	2.15	1.67	1.35	1.34	1.46	1.08	1.36
		AVG RENT PER UNIT TYPE \$				908	1115	1223	1304	1494	1050	1626
		SUM OF UNITS SURVEYED	3310	2966		78	726	725	1283	232	1	265
CLACKAMAS (12)	8	AVG MARKET VACANCY RATE %	4.03	3.96	0.02	0	2.94	2.75	6.31	6.25	-	3.07
		AVG RENT PER SQ FOOT \$	1.5	1.48	0.01	2.07	1.7	1.43	1.35	1.36	-	1.41
		AVG RENT PER UNIT TYPE \$				953	1143	1256	1311	1307	-	1577
		SUM OF UNITS SURVEYED	1465	1465		44	408	327	491	32	0	163
LAKE OSWEGO WEST LINN (8)	16	AVG MARKET VACANCY RATE %	5.06	6.62	-0.24	14.29	6.13	3.52	3.96	6.06	-	0
		AVG RENT PER SQ FOOT \$	2.29	2.11	0.09	2.3	2.93	1.5	2.1	1.57	-	2.95
		AVG RENT PER UNIT TYPE \$				1764	1801	1315	2113	1601	-	3932
		SUM OF UNITS SURVEYED	771	1057		14	310	142	227	66	0	12
MILWAUKIE (11)	30	AVG MARKET VACANCY RATE %	3.72	3.51	0.06	2.17	4.3	3.85	4.09	1.59	0	4.55
		AVG RENT PER SQ FOOT \$	1.47	1.5	-0.02	2.22	1.6	1.43	1.46	1.21	1.38	1.37
		AVG RENT PER UNIT TYPE \$				786	1057	1191	1327	1205	1393	1543
		SUM OF UNITS SURVEYED	1719	1539		46	465	754	171	189	6	88
OREGON CITY GLADSTONE (10)	14	AVG MARKET VACANCY RATE %	4.1	3.55	0.15	5	3.52	2.56	6.3	5.83	2.94	3.7
		AVG RENT PER SQ FOOT \$	1.43	1.42	0.01	2.26	1.66	1.39	1.37	1.26	1.4	1.21
		AVG RENT PER UNIT TYPE \$				1105	1061	1191	1401	1157	1350	1671
		SUM OF UNITS SURVEYED	1072	1041		20	256	313	238	103	34	108
WILSONVILLE CANBY (9)	13	AVG MARKET VACANCY RATE %	4.32	5.72	-0.24	8.11	5.45	3.57	4.74	0	0	3.21
		AVG RENT PER SQ FOOT \$	1.51	1.48	0.02	2.48	1.76	1.37	1.46	1.09	1.44	1.44
		AVG RENT PER UNIT TYPE \$				1156	1216	1191	1421	1251	1350	1623
		SUM OF UNITS SURVEYED	1598	1976		37	330	392	570	49	2	218
ALOHA (3)	39	AVG MARKET VACANCY RATE %	3.83	4.95	-0.23	0	3.66	3.38	4.61	2.08	0	3.92
		AVG RENT PER SQ FOOT \$	1.53	1.56	-0.02	2.35	1.75	1.44	1.47	1.37	1.58	1.42
		AVG RENT PER UNIT TYPE \$				992	1171	1248	1433	1534	1491	1617
		SUM OF UNITS SURVEYED	6051	7711		30	1586	1422	2084	144	96	689

PORTLAND/VANCOUVER METRO AREA

AREA NAME	# OF PROP	DATA	ALL	FALL 19 REPORT	CHANGE	STUDIO	1 BED 1 BATH	2 BED 1 BATH	2 BED 2 BATH	2 BED TWNHS	3 BED 1 BATH	3 BED 2 BATH
BEAVERTON (4)	58	AVG MARKET VACANCY RATE %	3.51	3.53	-0.01	2.63	2.62	3.26	6.33	5.66	2.34	3.9
		AVG RENT PER SQ FOOT \$	1.5	1.5	0	2.3	1.65	1.39	1.44	1.48	1.26	1.31
		AVG RENT PER UNIT TYPE \$				924	1131	1258	1458	1494	1364	1635
		SUM OF UNITS SURVEYED	3787	3879		76	1338	1413	521	106	128	205
HILLSBORO N OF HWY 26 (2)	14	AVG MARKET VACANCY RATE %	4.26	5.66	-0.25	5.88	4.98	5.83	3.68	0	-	3.2
		AVG RENT PER SQ FOOT \$	1.66	1.59	0.04	2.43	1.89	1.49	1.43	1.31	-	1.38
		AVG RENT PER UNIT TYPE \$				1241	1332	1379	1492	1772	-	1727
		SUM OF UNITS SURVEYED	2275	2684		68	1005	206	652	125	0	219
TIGARD TUALATIN SHERWOOD (7)	49	AVG MARKET VACANCY RATE %	4.03	4.17	-0.03	10.42	3.16	4.92	4.81	3.81	1.82	2.33
		AVG RENT PER SQ FOOT \$	1.53	1.5	0.02	2.36	1.72	1.48	1.44	1.33	1.35	1.33
		AVG RENT PER UNIT TYPE \$				912	1147	1229	1427	1447	1362	1699
		SUM OF UNITS SURVEYED	4666	4818		48	1457	1320	1018	315	165	343
WEST VANCOUVER (19)	34	AVG MARKET VACANCY RATE %	4.61	3.45	0.34	12.38	2.26	5.5	5.89	3.24	5.88	4.62
		AVG RENT PER SQ FOOT \$	1.46	1.38	0.06	2.22	1.68	1.39	1.35	1.19	1.66	1.13
		AVG RENT PER UNIT TYPE \$				1105	1178	1123	1361	1258	1445	1383
		SUM OF UNITS SURVEYED	2561	2576		105	752	727	509	278	17	173
EAST VANCOUVER (20)	20	AVG MARKET VACANCY RATE %	4.52	4.15	0.09	4.88	4.27	5.33	4.51	1.76	0	4.76
		AVG RENT PER SQ FOOT \$	1.42	1.45	-0.02	2.24	1.58	1.34	1.37	1.24	1.19	1.3
		AVG RENT PER UNIT TYPE \$				1071	1102	1173	1347	1226	1568	1471
		SUM OF UNITS SURVEYED	3143	3157		82	797	675	998	170	1	420
TOTAL AVG MARKET VACANCY RATE %			4.69	4.42	0.06	5.86	4.55	4.44	5.38	2.89	3.41	4.21
TOTAL AVG RENT PER SQ FOOT \$			1.75	1.74	0.01	2.72	1.96	1.45	1.56	1.34	1.36	1.38
TOTAL AVG RENT PER UNIT TYPE \$						1179	1318	1242	1577	1387	1401	1652
TOTAL SUM OF PROPERTIES SURVEYED			912	965		269	724	589	263	122	93	177
TOTAL SUM OF UNITS SURVEYED			58574	61827		4845	21217	13085	12325	2836	703	3563

VACANCY RATE SINCE SPRING 2016—PORTLAND/VANCOUVER METRO AREA



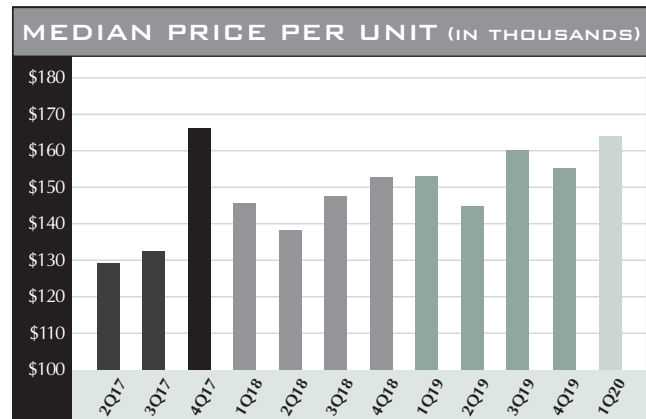
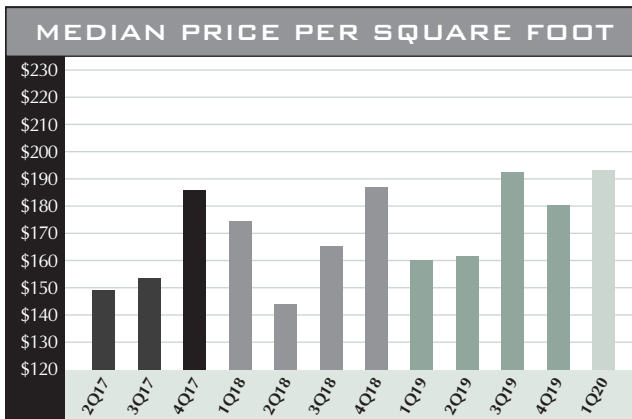
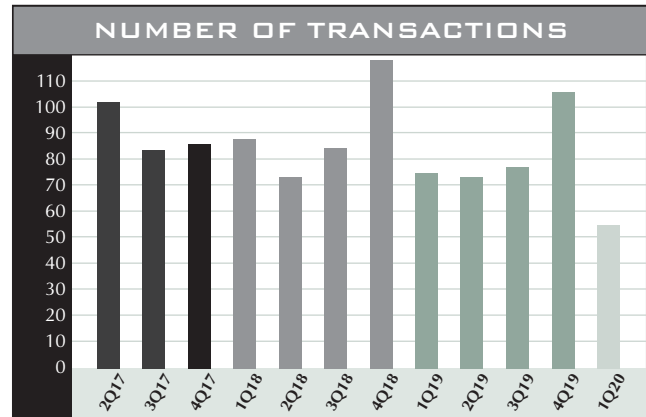
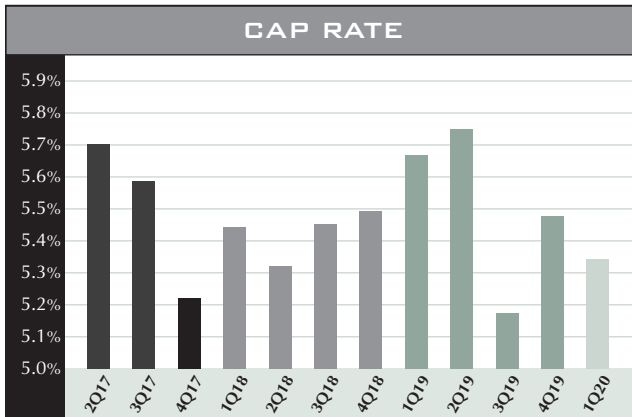
OTHER AREAS

SALEM & VICINITY	111	AVG MARKET VACANCY RATE %	3.7	5.16	-0.28	1.61	3.66	4.22	3.81	1.47	1.82	3.23
		AVG RENT PER SQ FOOT \$	1.29	1.31	-0.02	1.73	1.45	1.24	1.28	1.16	1.21	1.22
		AVG RENT PER UNIT TYPE \$				853	935	1065	1238	1149	1389	1426
		SUM OF UNITS SURVEYED	7083	7293		186	1450	3125	1419	476	55	372
EUGENE SPRINGFIELD	83	AVG MARKET VACANCY RATE %	5.1	4	0.28	5.32	4.02	3.77	6.31	8.18	3.33	3.36
		AVG RENT PER SQ FOOT \$	1.41	1.37	0.03	2.22	1.52	1.28	1.34	1.29	1.26	1.22
		AVG RENT PER UNIT TYPE \$				759	992	1019	1417	1345	1299	1430
		SUM OF UNITS SURVEYED	5215	5645		357	1269	1460	697	1015	60	357
BEND REDMOND	9	AVG MARKET VACANCY RATE %	6.35	3.11	1.04	8.6	5	4.03	8.39	12.5	0	10.87
		AVG RENT PER SQ FOOT \$	1.69	1.59	0.06	2.22	1.91	1.22	1.61	0.92	1	1.03
		AVG RENT PER UNIT TYPE \$				1269	1365	1064	1692	920	900	1266
		SUM OF UNITS SURVEYED	740	836		93	300	149	143	8	1	46
TOTAL AVG MARKET VACANCY RATE %			4.41	4.56	-0.03	4.72	3.94	4.08	4.87	6.07	2.59	3.74
TOTAL AVG RENT PER SQ FOOT \$			1.36	1.35	0.01	2.08	1.52	1.25	1.32	1.25	1.23	1.21
TOTAL AVG RENT PER UNIT TYPE \$						861	1002	1051	1322	1280	1338	1418
TOTAL SUM OF PROPERTIES SURVEYED			203	201		37	120	118	67	31	37	45
TOTAL SUM OF UNITS SURVEYED			13038	13774		636	3019	4734	2259	1499	116	775

Surveys received from Sec 42, Sec 8 and other subsidized affordable housing programs are not included in the current survey data.

TREND REPORT : PORTLAND METRO AREA

CoStar: Search criteria—Research Status: Published; Market: Portland; PropType: Multi Family; Sale Date: 4/1/2017—3/31/20; unit: 5 units and greater.



YEAR	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
# OF TRANS	101	82	84	87	72	83	119	73	72	77	105	54
TTL \$ VOLUME	\$254,214,744	\$450,852,533	\$669,554,842	\$488,503,050	\$263,766,901	\$669,033,707	\$898,431,120	\$389,405,022	\$405,864,873	\$900,164,810	\$629,427,032	\$363,213,495
TTL BLDG SF	2,531,586	3,217,384	2,761,998	2,901,521	1,878,597	3,231,649	4,405,365	2,570,652	2,346,916	3,525,970	3,600,077	2,201,883
TTL UNITS	2,830	3,123	3,444	3,063	1,955	3,064	4,973	2,872	2,490	3,466	3,390	2,185
AVG PRICE	\$4,100,238	\$8,197,319	\$11,348,387	\$7,879,081	\$5,275,338	\$11,737,433	\$10,569,778	\$6,953,661	\$6,879,066	\$13,638,861	\$9,122,131	\$9,816,581
AVG # OF SF	25,065	39,721	32,881	33,351	26,092	38,936	37,020	35,214	32,596	45,792	34,286	40,776
AVG \$ BLDG SF	\$155.57	\$200.04	\$296.41	\$207.86	\$156.16	\$252.32	\$226.27	\$201.21	\$196.23	\$263.32	\$206.46	\$244.04
MED \$ P/SF	\$148.65	\$152.08	\$186.72	\$174.32	\$143.67	\$165.88	\$188.41	\$160.24	\$160.96	\$192.03	\$180.33	\$191.94
AVG \$ P/UNIT	\$138,386	\$195,183	\$230,167	\$188,757	\$151,852	\$269,446	\$202,806	\$194,703	\$188,599	\$262,028	\$218,855	\$243,767
MED \$ P/UNIT	\$129,023	\$132,066	\$166,000	\$145,359	\$138,358	\$148,000	\$152,273	\$152,230	\$145,833	\$160,000	\$153,600	\$163,000
AVG # OF UNITS	28	39	41	35	27	37	42	39	35	46	32	40
ACTUAL CAP RATE	5.71%	5.59%	5.21%	5.43%	5.31%	5.45%	5.49%	5.67%	5.74%	5.17%	5.48%	5.34%
AVG GRM	13.75	11.16	13.64	13.87	10.25	11.20	12.99	12.81	12.63	11.94	12.92	12.50
AVG GIM	—	9.01	—	—	—	9.88	—	—	—	—	—	—

SECTION 42 SURVEY RESULTS • SPRING 2020

TTL # OF PROPERTIES = 94 • TTL # OF UNITS = 7,581

UNIT TYPES	VACANCY RATE (%)	AVG. RENT PER SQ FT (\$)
STUDIO	4.29	2.47
1 BED / 1 BATH	2.76	1.33
2 BED / 1 BATH	1.97	1.15
2 BED / 2 BATH	2.62	1.17
2 BED / TH	0.96	1.06
3 BED / 1 BATH	1.35	1.03
3 BED / 2 BATH	1.45	0.95
TOTALS	2.61	1.41



DO YOU OFFER INCENTIVES?

MAP AREA	FALL 2019	SPRING 2020
NW Portland	13.1%	14.9%
Hillsboro North of Hwy 26	0%	0%
Aloha	15.6%	21.3%
Beaverton	9.8%	11.1%
Downtown Portland	20%	14.8%
SW Portland	11.5%	16%
Tigard Tualatin Sherwood	16.4%	16.4%
Lake Oswego West Linn	5.9%	0%
Wilsonville Canby	8%	17.7%
Oregon City Gladstone	0%	12.5%
Milwaukie	7.4%	5.9%
Clackamas	0%	0%
Inner & Central SE Portland	4.3%	6.7%
Outer SE Portland	1.6%	4.2%
Troutdale Fairview Wood Village Gresham	4.6%	11.1%
Outer NE Portland	7.1%	8.9%
Inner & Central NE Portland	6.2%	6.9%
North Portland St. Johns	7.8%	13%
West Vancouver	2.9%	14.6%
East Vancouver	4%	17.4%
Salem Vicinity	12.8%	10.2%
Eugene Springfield	20.6%	24.8%
Bend Redmond	0%	9.1%

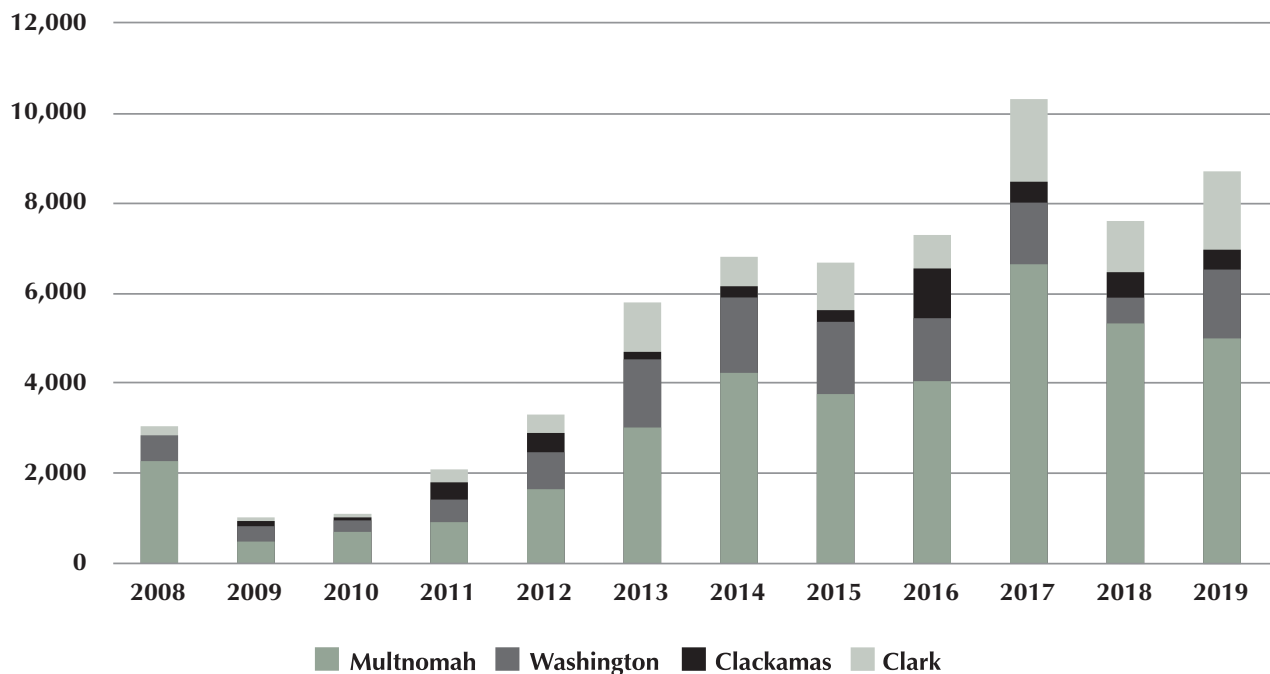
SPRING 2020 APARTMENT CONSTRUCTION UPDATE

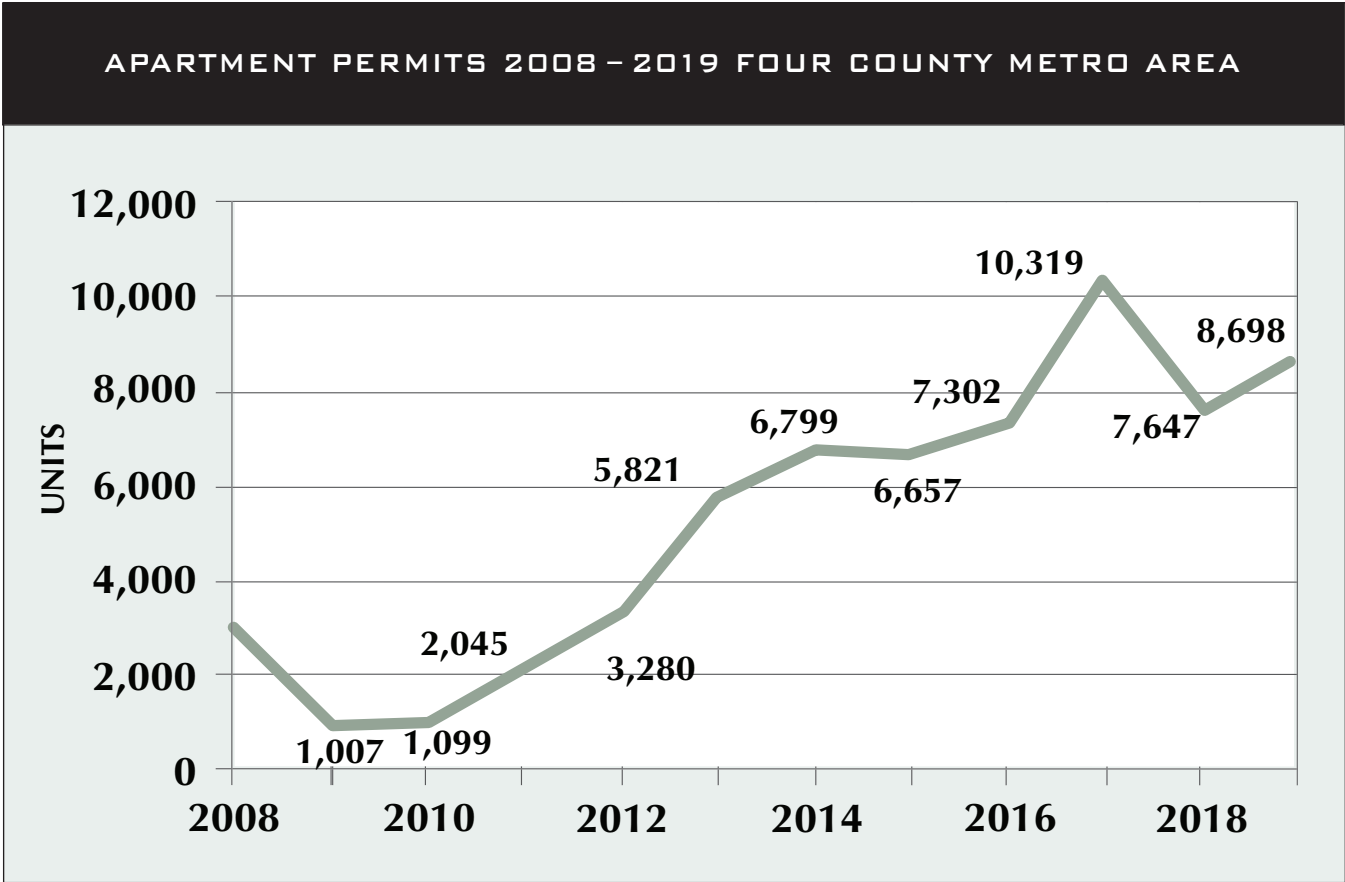
Patrick O. Barry, Barry & Associates

In 2019, apartment construction in Portland Metro continued to show strength as job and population growth remained solid, though below previous years. The year end 2019 figures from the Census Bureau reported permits for 8,700 units in Portland Metro, which was up 14 percent from 2018, though 1,600 units below our peak in 2017. During 2019, the share of apartment permits in Multnomah County decreased as development picked up in Washington and Clark County. Development in Clackamas County remains slow. Despite Clackamas County accounting for 18 percent of the population in the four-county Metro area, only once since 2013 has the share of total units under construction exceeded 7 percent of units under construction metro wide.



APARTMENT PERMITS ISSUED BY COUNTY 2008 - 2019





Based on data from CoStar, peak apartment completions occurred in 2019 as at least 6,500 units were finished. This surge of completions represents the final wave of projects that were approved prior to the passage of Inclusionary Housing in early 2017. Due to slower job and population growth across the Metro area, absorption decreased to around 5,150 units in 2019, according to CoStar. Completions in 2019 outpacing absorptions helps explain the increase in vacancies across the Metro area, though in particular at newer apartments. During 2019, developers remained confident in the market, though understood that job and population growth in Portland Metro was slowing. As of early 2020, CoStar reports that 7,100 units were currently under construction in Portland Metro.

As we enter Spring 2020, the world is suddenly a different place. The health, economic, and regulatory impacts of COVID-19 has shifted the development landscape. As of late March 2020, there is considerable uncertainty regarding the impact of COVID-19 on the apartment market and a timeline for recovery. Many economists have tied an economic recovery directly to our ability to contain the COVID-19 virus and restore confidence.



(continued on page 10)

There is considerable uncertainty regarding the total economic impact of COVID-19 and reliable forecasts specific to Portland were not available. For this article, I asked seven individuals involved in development to provide their thoughts on the coming years. Below is a summary of comments regarding development in Portland Metro.

● Participants reported that projects in the planning stages are being delayed or put on hold, and some projects in the initial stages of construction will be mothballed. Final decisions to proceed will be considered when the long-term impacts on the economy are better defined.

● Participants were confident that many of the projects currently in the planning stages will proceed at some point. However, it was estimated that 20% to 25% of planned projects will be scrapped completely.

● One participant reported that projects in the planning stages will move forward, though will intentionally be pushed back as far as possible to allow maximum time for recovery. Two additional participants reported that development delays will occur due to work restrictions for many planning departments and construction workers.

● Lending will become more of a challenge as some lenders exit the business of construction loans and others will turn more conservative. The tightening regulations and higher equity requirements will exclude developers with tighter margins.

● Two participants reported serious concerns regarding the future political landscape, which could drive development decisions. One participant was concerned that rental regulations would further tighten as job losses turn homeowners back to renters at a time when fewer apartments projects will be moving forward. Two participants reported concerns that the City of Portland will temporarily ban rental increases if the economic conditions do not improve quickly.

● There are substantial concerns regarding projects that are in lease-up or will be beginning lease up during spring 2020. Economic uncertainty coupled with “stay at home” orders will decrease the movement of tenants and buildings in lease up during 2020 will be impacted. Buildings in lease up will be further impacted by reported difficulties in attaining bridge loans. Some foreclosures on new projects may be inevitable if conditions do not improve in a timely manner.

Fundamentals in 2019 remained strong and construction showed little sign of slowing. 2020 will be a different story. The uncertainty regarding the impact of COVID-19 will slow future development as many builders are taking a wait and see approach. Given the possible depth of this downturn, most developers will wait for additional market clarity before deciding on whether to proceed. ■



THE Apartment Report



MULTIFAMILY NW
The Association Promoting Quality Rental Housing

Thank you to all who contributed to the making of this report.

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